



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 20, 2002

S. 1961

Water Investment Act of 2002

*As ordered reported by the Senate Committee on Environment and Public Works on
May 17, 2002*

SUMMARY

CBO estimates that implementing this legislation would cost about \$16.7 billion over the next five years, assuming the appropriation of the authorized amounts. The funds would be used by the Environmental Protection Agency (EPA) to provide grants to states and nonprofit organizations to support a wide range of water quality projects and programs. The Joint Committee on Taxation (JCT) estimates that enacting S. 1961 would reduce revenues by \$0.2 billion over the 2003-2007 period and by \$2 billion over the next 10 years. Because enactment of this bill would affect receipts, pay-as-you-go procedures would apply.

S. 1961 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would benefit state, local, and tribal governments by creating new grant programs and by reauthorizing and expanding existing grants under the Federal Water Pollution Control Act and the Safe Drinking Water Act. Any costs incurred to receive or administer grants under these programs would be voluntary.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1961 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

By Fiscal Year, in Millions of Dollars

	2002	2003	2004	2005	2006	2007
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CHANGES IN REVENUES

Changes to Tax-Exempt Financing

Estimated Revenues ^a	0	-1	-6	-23	-61	-122
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SPENDING SUBJECT TO APPROPRIATION

EPA's Spending for Water Infrastructure
and Grants Under Current Law

Authorization Level ^b	2,209	1,772	0	0	0	0
Estimated Outlays	2,044	2,397	2,013	1,398	668	150

Proposed Changes

Clean Water SRF Grants

Authorization Level	0	3,200	3,200	3,600	4,000	6,000
Estimated Outlays	0	160	640	1,620	2,660	3,420

Safe Drinking Water SRF Grants

Authorization Level	0	500	2,000	2,000	3,500	6,000
Estimated Outlays	0	25	175	550	1,225	2,100

Sewer Overflow Control Grants

Authorization Level	0	0	250	250	250	250
Estimated Outlays	0	0	125	200	238	250

New York City Watershed Protection

Authorization Level	0	10	25	25	25	25
Estimated Outlays	0	10	24	25	25	25

Technical Assistance for Small Systems

Authorization Level	0	1	6	6	6	6
Estimated Outlays	0	1	6	6	6	6

Environmental Finance Centers

Authorization Level	0	0	2	2	2	2
Estimated Outlays	0	0	2	2	2	2

Technical Assistance for Nonprofits

Authorization Level	0	7	7	7	7	7
Estimated Outlays	0	4	6	7	7	7

Small Public Water Assistance Grants

Authorization Level	0	1,000	1,000	1,000	1,000	1,000
Estimated Outlays	0	50	200	500	800	950

Continued

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
Research and Demonstration Grant Programs						
Authorization Level	0	40	40	40	40	40
Estimated Outlays	0	20	32	38	40	40
EPA Rate Study and Department of the Interior Reports						
Authorization Level	0	4	4	3	3	3
Estimated Outlays	0	4	4	3	3	3
Nutrient Control Grant Program						
Authorization Level	0	100	100	100	100	100
Estimated Outlays	0	50	80	95	100	100
Total Proposed Changes						
Authorization Level	0	4,863	6,634	7,033	8,933	13,433
Estimated Outlays	0	324	1,294	3,046	5,106	6,903
EPA's Spending for Water Infrastructure and Grants Under S. 1961						
Authorization Level ^b	2,209	6,635	6,634	7,033	8,933	13,433
Estimated Outlays	2,044	2,721	3,307	4,444	5,774	7,053

NOTE: SRF = state revolving fund.

a. Estimate provided by JCT.

b. The 2002 level is the amount appropriated for that year to EPA for the following programs: clean water state revolving fund, safe drinking water state revolving fund, New York City watershed protection, technical assistance for small systems, and environmental finance centers. The 2003 amount includes sums authorized under current law for the following programs: safe drinking water state revolving fund, sewer overflow control grants, New York City watershed protection, technical assistance for small systems, and environmental finance centers.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1961 will be enacted by the start of fiscal year 2003, that the full amounts authorized will be appropriated, and that outlays will follow the historical pattern of EPA programs. Components of the estimated costs are described below.

Revenues

This bill would increase the funds available under the clean water state revolving fund (SRF) and the safe drinking water SRF, which could result in some states leveraging their funds by issuing additional tax-exempt bonds. The JCT estimates that the consequent reductions in revenue would total \$213 million over the 2003-2007 period and \$2 billion over the next 10 years.

Spending Subject to Appropriation

S. 1961 would authorize appropriations totaling about \$41 billion over the next five years for EPA's water infrastructure and grant programs.

The bill would authorize the appropriation of \$34 billion over the 2003-2007 period for EPA to provide capitalization grants for the SRF program (\$20 billion for the clean water SRF program and \$14 billion for the safe drinking water SRF program, in addition to existing authorizations for those programs under current law). States would use such grants along with their own funds to make low-interest loans to communities and grants to Indian tribes to construct wastewater treatment facilities and to fund other projects that would improve the quality of drinking water. This bill would make several revisions to these grant programs, including extending loan repayment terms, expanding the types of projects eligible for assistance, and changing the formulas used to allocate grant money among the states.

This legislation also would authorize the appropriation of \$1 billion over the 2003-2007 period for EPA to make grants to states to remedy sewage overflows (that is, the discharge of untreated wastewater). S. 1961 also would authorize the appropriation of \$5 billion over the same period for EPA to make grants to small public water systems to address the cost of complying with drinking water regulations, including meeting the requirements for the removal of arsenic in drinking water. In addition, the bill would authorize about \$1 billion over the next five years for various other purposes, including several grant programs aimed at promoting innovations in technology and alternative approaches to water quality management and an EPA study of the rate structure of public water systems and treatment works.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For

the purposes of enforcing pay-as-you-go procedures, only the effects through 2006 are counted.

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays						Not applicable					
Changes in receipts	0	-1	-6	-23	-61	-122	-203	-296	-382	-436	-450

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1961 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would benefit state, local, and tribal governments by creating new grant programs and by reauthorizing and expanding existing grants under the Federal Water Pollution Control Act and the Safe Drinking Water Act. Any costs incurred to receive or administer grants under these programs would be voluntary.

PREVIOUS CBO ESTIMATE

On April 11, 2002, CBO transmitted a cost estimate for H.R. 3930 as ordered reported by the House Committee on Transportation and Infrastructure on March 20, 2002. On April 23, 2002, CBO transmitted a cost estimate for H.R. 3930 as ordered reported by the House Committee on Ways and Means on April 17, 2002. CBO estimates that both versions of H.R. 3930 would cost \$9.2 billion over the next five years, assuming the appropriation of the authorized amounts. The version of the bill reported by the House Committee on Transportation and Infrastructure also would reduce revenues by \$252 million over the 2003-2007 period according to the Joint Committee on Taxation. In contrast, enacting the Ways and Means Committee version would reduce revenues by \$123 million over the same period.

S. 1961 would authorize the appropriation of much larger amounts for water infrastructure and grant programs than either version of H.R. 3930. The Joint Committee on Taxation estimates that enactment of S. 1961 would reduce revenues by \$213 million over the next five years.

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